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THE GRANBY MINING COMPANY Limited

ANNUAL REPORT

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Phoenix Mine

DIRECTORS

*MARSH A. COOPER
*THOMAS G. EWART
ALFRED H. HAUSER
WILLIAM F. JAMES
WILLIAM G. LANE

*ROBERT M. MACRAE
JOSEPH S. NYE
J. HARVEY PARLIAMENT
*LAWRENCE T. POSTLE
GEORGE T. SMITH

* Members of Executive Committee

OFFICERS

President

LAWRENCE T. POSTLE

Vice-Presidents

ROBERT M. MACRAE
J. HARVEY PARLIAMENT

MARSH A. COOPER
P. ROBERT MATTHEW

JOHN H. COLTON, *Secretary and Treasurer*
WILLIAM G. GOURLAY, *Assistant Secretary*
JOHN D. BALDEN, *Assistant Treasurer*

TRANSFER AGENTS

Chemical Bank New York Trust Company, New York, N. Y.
National Trust Company Limited, Toronto, Ontario
The Granby Mining Company Limited, Vancouver, British Columbia

REGISTRARS

The Chase Manhattan Bank, N.A., New York, N. Y.
The Canada Trust Company, Toronto, Ontario
The Canada Trust Company, Vancouver, British Columbia

SHARES LISTED

New York Stock Exchange
Toronto Stock Exchange
Vancouver Stock Exchange

AUDITORS

Peat, Marwick, Mitchell & Co., Vancouver, British Columbia

HEAD OFFICE

1111 West Georgia Street, Vancouver 5, British Columbia

THE GRANBY MINING COMPANY LIMITED

Vancouver, B. C.
February 17, 1967.

TO THE SHAREHOLDERS:

The Annual Report for the year 1966 is submitted herewith. The various activities of the Company are reported on as follows:

PHOENIX COPPER DIVISION

The results of the year's operation at the Phoenix Copper Division are summarized and compared with the preceding year as follows:

	<u>1966</u>	<u>1965</u>
Tons ore treated	700,743	703,420
Average tons treated per day	1,920	1,927
Tons waste removed	2,924,360	2,707,920
Mill heads:		
Copper %	0.80	0.80
Gold (oz. per ton)	0.031	0.035
Silver (oz. per ton)	0.26	0.25
Saleable metal produced:		
Copper (lbs.)	8,892,329	8,727,600
Gold (ounces)	13,397	15,432
Silver (ounces)	101,933	84,515
Average copper price received per pound (Can.) ..	54.392¢	39.073¢

At the year end, the ore reserves were estimated to be 5,000,000 tons, containing .80% copper. In addition to these ore reserves, 1,000,000 tons of low-grade material estimated to contain .4% copper was removed with the waste and stockpiled. This material can be treated at a profit, after the better grade ore bodies are exhausted.

A new contract for the sale of copper concentrates for a further period of five years has been negotiated with the Sumitomo group in Japan.

JEDWAY IRON ORE LIMITED

The results of the year's operation at Jedway Iron Ore Limited are summarized and compared with the results of the preceding year as follows:

	<u>1966</u>	<u>1965</u>
Long tons ore milled	794,001	732,892
Iron content of ore	36.6%	31.0%
Long tons waste removed	1,079,676	2,805,335
Long tons concentrate produced	457,381	360,474
Iron content of concentrate	63.2%	61.7%
Number of shipments	19	14
Long tons concentrate shipped	477,586	353,269

The large open pit has been exhausted and the ore is now coming from underground and from the smaller open pits. The Rose ore body, leased from another company, was opened at the end of the year and this ore body, which is mineable by open pit methods, is presently an important source of ore. Plans have been prepared for mining other ore bodies by underground methods and these have been added to the Company's ore reserves. At the year end, it is estimated that ore reserves total 1,654,000 tons, containing 37% iron.

During the year, Jedway Iron Ore Limited retired its bank indebtedness and an initial payment on the First Mortgage Bond was made to The Granby Mining Company Limited.

It is expected that the existing sales contract will be completed late in 1967. A new contract has been negotiated to sell an additional 400,000 long tons of iron concentrates with an option to sell an additional 600,000 tons.

GRANISLE COPPER LIMITED

The plant of Granisle Copper Limited is located on Copper Island in Babine Lake, British Columbia. Pictures of the plant, and the grinding mills in the concentrator building, are shown on the back cover of this report.

Plant construction was completed and production commenced in mid-November, 1966. An average treatment rate of 4,300 tons of ore per day was reached in December, 1966, with the planned capacity of 5,000 tons being exceeded on several days. Results of operations for the month and a half during which the mine operated are shown in the financial statements. These results are highly satisfactory for this start-up period.

The first shipment of concentrate was made to the smelter of Sumitomo Metal Mining Company Limited in January, 1967, from the port of Prince Rupert, B. C. This shipment of approximately 5,000 tons of concentrate contained over 2,800,000 pounds of saleable copper and is valued at about \$1,500,000 after provision for smelting and refining costs.

At December 31, 1966, loans to Granisle Copper Limited consisted of \$3,000,000 U. S. advanced by the Company's bankers, \$7,012,500 U. S. advanced by Sumitomo Metal Mining Company Limited, Sumitomo Shoji Kaisha, Ltd., Mitsubishi Metal Mining Company Limited, and Mitsubishi Shoji Kaisha, Ltd., and \$900,000 advanced by The Granby Mining Company Limited. The Granby Mining Company Limited advanced a further \$100,000 in January, 1967, thereby completing its commitment to provide up to \$1,000,000. Repayment of these loans will be made by Granisle from its cash flow, the bank being repaid first, the Japanese lenders second, and Granby last. Granisle Copper Limited will not pay dividends until it has repaid its borrowings.

The Granby Mining Company Limited holds 53.7% of the issued stock of Granisle Copper Limited. The cost of this stock, and its market value at December 31, 1966, is shown in the Balance Sheet of The Granby Mining Company Limited. The financial statements of Granisle Copper Limited have not been consolidated with those of The Granby Mining Company Limited because it is considered that Granby's majority shareholding is temporary. Granisle Copper Limited has granted an option to certain of the Japanese companies which participated in its financing to purchase 300,000 shares at \$2.00 per share, the option being exercisable up to December 31, 1967. It is considered that this option will be exercised, thereby reducing Granby's shareholding from 53.7% to 48.8%, at which time Granisle Copper Limited will cease to be a subsidiary company.

EXPLORATION

This year, the greater portion of the exploration activities was centered on the Company's Copper Mountain property. Several areas in which copper mineralization is known to occur were sampled by drilling. A total of 307 holes, amounting to 49,204 feet of drilling, were completed.

The holes were spaced at 100-foot centres and were drilled to a depth of 200 feet, covering about 700 acres. The property looks sufficiently interesting to warrant continued drilling and an economic study of its profitability.

In the area adjacent to the Phoenix Mine, 6,189 feet of diamond drilling was completed during the year, and two groups of claims owned by the Company were investigated by geophysical methods. No ore was found but it is the Company's intention to continue exploration in this area.

Several other properties were investigated by the Company with negative results. It is the Company's intention to continue to search for new ore bodies.

GENERAL

On September 8, 1966, Mr. H. R. Whittall resigned as a Director of the Company. At a meeting of the Board of Directors held on September 8, 1966, Mr. J. H. Parliament was elected to the Board of Directors and appointed Executive Vice-President. He has been employed by the Company since 1949 and has served as General Manager for the past five years. Mr. P. R. Matthew, formerly Manager of the Phoenix Copper Division, was appointed Vice-President in charge of operations of the Company.

The Company's prosperity and future prospects reflect the untiring efforts of its employees. Their contributions are gratefully acknowledged.

On behalf of the Board,

L. T. POSTLE,
President.

**THE GRANBY MINING COMPANY LIMITED
AND WHOLLY-OWNED SUBSIDIARY COMPANIES**

**Consolidated Balance Sheet
December 31, 1966
(With comparative figures for 1965)**

ASSETS

	<u>1966</u>	<u>1965</u>
Current assets:		
Cash and bank deposits	\$ 2,053,136	\$ 2,290,684
5¾% First Mortgage Demand Debenture in Jedway Iron Ore Limited (Note 3)	1,000,000	—
Accounts receivable	27,390	37,361
Due from subsidiaries	73,184	69,814
Metals in concentrates at smelter, mill and in transit at estimated realizable values	955,271	578,385
Materials and supplies, at approximate cost or less	220,092	146,911
Prepaid expenses	2,813	1,170
Total current assets	<u>4,331,886</u>	<u>3,124,325</u>
Other assets:		
Investments in unconsolidated majority-owned subsidiaries:		
Granisle Copper Limited (Note 2):		
1,625,907 shares at cost (quoted market value December 31, 1966 \$8,942,500; December 31, 1965 \$5,771,970)	342,919	342,919
6% unsecured advances and accrued interest	902,967	—
Jedway Iron Ore Limited (Note 3):		
5¾% First Mortgage Demand Debenture, non-current portion	900,000	2,000,000
22,500 shares and advances, at estimated realizable value	95,640	95,640
	<u>2,241,526</u>	<u>2,438,559</u>
Investment in Morris Summit Gold Mines Limited, shares at cost	25,000	25,000
Special refundable tax and deposits	53,995	11,045
	<u>2,320,521</u>	<u>2,474,604</u>
Property, plant and equipment:		
Mining properties, at cost	171,158	150,925
Less accumulated depletion (Note 4)	95,987	86,345
	<u>75,171</u>	<u>64,580</u>
Real estate, buildings and equipment, at cost	3,476,910	3,175,639
Less accumulated depreciation (Note 4)	2,022,881	1,705,808
	<u>1,454,029</u>	<u>1,469,831</u>
Pre-productive expenditure on mining properties, less amortization	—	25,935
	<u>\$ 8,181,607</u>	<u>\$ 7,159,275</u>

See accompanying notes to consolidated financial statements.

**THE GRANBY MINING COMPANY LIMITED
AND WHOLLY-OWNED SUBSIDIARY COMPANIES**

Consolidated Balance Sheet

December 31, 1966

(With comparative figures for 1965)

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>1966</u>	<u>1965</u>
Current liabilities:		
Bank loan, secured (Note 5)	\$ 432,000	\$ 428,500
Accounts payable and accrued charges	207,501	149,490
Accrued payrolls	65,183	54,684
Provision for smelting and refining	37,705	26,533
Income taxes payable	672,587	273,000
Total current liabilities	<u>1,414,976</u>	<u>932,207</u>
Bank loan, secured (Note 5)	432,996	865,992
Shareholders' equity:		
Capital stock (Note 6):		
Authorized 2,000,000 shares par value \$5 per share; issued and outstanding 474,160.65 shares (1965 473,160.65 shares)	2,370,803	2,365,803
Surplus:		
Contributed surplus	404,078	388,329
Earned surplus	3,558,754	2,606,944
	<u>3,962,832</u>	<u>2,995,273</u>
Total shareholders' equity	6,333,635	5,361,076
Contingent liabilities (Note 2).		

Approved on behalf of the Board:

L. T. POSTLE, Director

R. M. MACRAE, Director

\$ 8,181,607

\$ 7,159,275

See accompanying notes to consolidated financial statements.

**THE GRANBY MINING COMPANY LIMITED
AND WHOLLY-OWNED SUBSIDIARY COMPANIES**

Statement of Consolidated Income

Year ended December 31, 1966

(With comparative figures for 1965)

	<u>1966</u>	<u>1965</u>
Production:		
Copper (lbs.)	8,892,329	8,727,600
Gold (ozs.)	<u>13,397</u>	<u>15,432</u>
Silver (ozs.)	<u>101,933</u>	<u>84,515</u>
Value of production:		
Copper	\$4,836,682	\$3,410,125
Gold	546,922	636,086
Silver	141,953	117,526
Net sales of foundry products	—	81,070
	<u>5,525,557</u>	<u>4,244,807</u>
Production and marketing and in 1965 foundry cost of sales	<u>2,744,274</u>	<u>2,683,455</u>
	2,781,283	1,561,352
Administration (Note 7)	\$223,437	\$161,682
Fire and other insurance and property taxes	<u>62,658</u>	<u>52,380</u>
Profit before the undernoted items	2,495,188	1,347,290
Other income:		
Interest	226,422	192,208
Equipment rentals and sundry income	<u>318,765</u>	<u>275,297</u>
	3,040,375	1,814,795
Other charges:		
Interest	57,555	83,732
Outside exploration	<u>313,198</u>	<u>103,521</u>
Net profit before depreciation, de- pletion and amortization	2,669,622	1,627,542
Depreciation	427,648	450,946
Depletion	9,642	9,544
Amortization of pre-productive expendi- ture	<u>25,935</u>	<u>26,936</u>
Net profit before income taxes ...	2,206,397	1,140,116
Income taxes (Note 8)	870,000	310,000
Net profit	1,336,397	830,116
Gain on sale of shares in Granisle Copper Limited	—	984,000
Net profit for the year	<u>\$1,336,397</u>	<u>\$1,814,116</u>

See accompanying notes to consolidated financial statements.

**THE GRANBY MINING COMPANY LIMITED
AND WHOLLY-OWNED SUBSIDIARY COMPANIES**

Statement of Consolidated Contributed and Earned Surplus

Year ended December 31, 1966

(With comparative figures for 1965)

	<u>1966</u>	<u>1965</u>
Contributed surplus:		
Balance at beginning of year	\$ 388,329	\$ 371,075
Premium on 1,000 shares issued during year (7,000 shares in 1965)	15,749	17,254
Balance at end of year	<u>\$ 404,078</u>	<u>\$ 388,329</u>
Earned surplus:		
Balance at beginning of year	\$2,606,944	\$1,046,219
Add net profit for the year	1,336,397	1,814,116
	3,943,341	2,860,335
Deduct dividends paid of U.S. 75 cents per share (U.S. 50 cents in 1965)	384,587	253,391
Balance at end of year	<u>\$3,558,754</u>	<u>\$2,606,944</u>

See accompanying notes to consolidated financial statements.

**THE GRANBY MINING COMPANY LIMITED
AND WHOLLY-OWNED SUBSIDIARY COMPANIES**

Notes to Consolidated Financial Statements

December 31, 1966

1. The consolidated financial statements include the accounts of the company and its wholly-owned inactive subsidiaries, Phoenix Copper Company Limited and Granby Metals Corporation Limited.
2. Granisle Copper Limited:

The financial statements of Granisle Copper Limited have not been consolidated because it is considered that the majority shareholding of The Granby Mining Company Limited is temporary. Granisle Copper Limited has granted an option to certain Japanese companies to purchase 300,000 shares at \$2 per share the option to be exercisable on or before December 31, 1967. It is considered that this option will be exercised, thereby reducing Granby's shareholding from 53.7% to 48.8%, at which time Granisle Copper Limited will cease to be a majority-owned subsidiary.

A summary of the audited financial statements of Granisle Copper Limited for the year ended December 31, 1966 (with comparative figures for 1965) is as follows:

Balance Sheet

Assets

	December 31,	
	1966	1965
Current assets	\$ 1,479,666	\$ 333,759
Refundable power deposit	300,000	—
Fixed assets	11,162,785	2,342,759
Less accumulated depreciation	(149,656)	—
Pre-productive expenditure	2,389,383	1,208,619
Less accumulated amortization	(60,033)	—
	\$15,122,145	\$3,885,137

Liabilities

Current liabilities	\$ 673,958	\$ 247,202
Deferred liabilities:		
Bank loan, secured by a 5¾% First Mortgage Debenture of \$3,000,000 U. S.	3,228,594	—
Loans, secured by \$1,402,500 U. S. 8% Series "A" bonds and \$5,610,000 U. S. 6% Series "B" bonds	7,555,370	1,612,875
6% unsecured advances from The Granby Mining Company Limited	900,000	—
Accrued interest	453,662	30,078
	12,137,626	1,642,953
Shareholders' equity:		
Share capital	1,994,982	1,994,982
Earned surplus	315,579	—
	2,310,561	1,994,982
	\$15,122,145	\$3,885,137

**THE GRANBY MINING COMPANY LIMITED
AND WHOLLY-OWNED SUBSIDIARY COMPANIES**

Notes to Consolidated Financial Statements, continued

December 31, 1966

2. Granisle Copper Limited: (Continued)

Statement of Income

Period from November 16, 1966 to December 31, 1966

Value of production	\$1,134,564
Production costs, including administration	522,092
	<hr/> 612,472
Interest	87,204
	<hr/> 525,268
Depreciation and amortization	209,689
	<hr/> \$ 315,579
	<hr/> <hr/>

The mining property of Granisle Copper Limited at Babine Lake, British Columbia commenced production in the middle of November 1966.

Depreciation of the plant, buildings and equipment has been calculated on the straight-line method at 8% on cost. Depreciation of the mobile equipment has been calculated on the diminishing balance method at 30%. Amortization of pre-productive expenditure has been calculated on the straight-line method at 20% as it is intended to amortize these costs over five years. These provisions have been calculated on a pro-rata basis from November 16, 1966 to December 31, 1966.

An application has been made for a three year income tax exemption on the profits from this mine.

The bank loan secured by the 5¾% First Mortgage Debenture and the loans secured by the Series "A" and Series "B" bonds are repayable in that order out of the cash flow (as defined) of the company. The bank loan is repayable by March 31, 1969 and the other secured loans by July 1, 1974. There are minimum annual repayments required on the loans secured by the Series "A" and "B" bonds commencing not later than April 1, 1969. Interest accrues on the loans from the date of receipt of the funds and is payable out of cash flow after production commences.

It is estimated that a further amount of \$850,000 may be required for capital construction, power deposit and working capital. Arrangements are being made with the holders of the 5¾% Debenture and the Series "A" and "B" bonds under which these funds will be provided out of the cash flow of the company before any payments are made on the bank loan.

The trust deeds securing the 5¾% First Mortgage Debenture and the Series "A" and Series "B" bonds prohibit the payment of dividends by the company until the 5¾% Debenture and the Series "A" and "B" bonds and accrued interest thereon have been repaid.

The Granby Mining Company Limited has advanced the company \$900,000 at December 31, 1966 and has made a further advance of \$100,000 in 1967 under its commitment to provide additional funds of up to \$1,000,000 to bring the mine into production. These advances, together with interest thereon of 6%, will be repaid after the 5¾% Debenture and the Series "A" and "B" bonds have been redeemed.

Under an agreement with the British Columbia Hydro and Power Authority for the supply of electricity to its mine, Granisle Copper Limited has made deposits of \$300,000 and will make

**THE GRANBY MINING COMPANY LIMITED
AND WHOLLY-OWNED SUBSIDIARY COMPANIES**

Notes to Consolidated Financial Statements, continued

December 31, 1966

2. Granisle Copper Limited: (Continued)

further deposits of \$252,500 in 1967. These deposits bearing interest at 5% will be refundable over a period of six years commencing November 1, 1970. Charges for electricity for the first four years will be credited against a further liability of \$187,500. It is considered that as a result of these credits no payment will have to be made on this liability. The Granby Mining Company Limited has guaranteed this latter liability of Granisle Copper Limited.

3. Jedway Iron Ore Limited:

The financial statements of Jedway Iron Ore Limited have not been consolidated as the investment in this subsidiary has been written down to its estimated realizable value of \$1,995,640 which is secured by a First Mortgage Demand Debenture of \$1,900,000 and a preferential claim of \$95,640. No provision has been made for any further losses incurred by Jedway Iron Ore Limited as such losses would be absorbed, firstly, by a creditor for \$742,694 and, secondly, by the holders of the Second Mortgage Redeemable Bonds in the amount of \$1,500,000 U. S. These liabilities are junior to the amount of \$1,995,640 due by Jedway Iron Ore Limited to The Granby Mining Company Limited.

A summary of the audited financial statements of Jedway Iron Ore Limited for the year ended December 31, 1966 (with comparative figures for 1965) is as follows:

Balance Sheet

Assets	December 31,	
	1966	1965
Current assets	\$1,166,938	\$1,011,115
Fixed assets	5,695,740	5,678,899
Less depreciation, etc.	(3,883,995)	(3,189,928)
Deferred charges, less amortization	567,933	868,889
	\$3,546,616	\$4,368,975
Liabilities		
Current liabilities	\$1,432,710	\$1,176,640
Deferred liabilities:		
Due to The Granby Mining Company Limited	3,406,889	4,506,890
Second Mortgage Bonds \$1,500,000 U. S. and other deferred liabilities	2,551,166	2,542,107
	5,958,055	7,048,997
Capital stock	10,000	10,000
Deficit	(3,854,149)	(3,866,662)
	\$3,546,616	\$4,368,975

**THE GRANBY MINING COMPANY LIMITED
AND WHOLLY-OWNED SUBSIDIARY COMPANIES**

**Notes to Consolidated Financial Statements, continued
December 31, 1966**

3. Jedway Iron Ore Limited: (Continued)

Statement of Income

	Year ended December 31,	
	1966	1965
Value of production	\$4,905,575	\$3,604,074
Production costs, including administration	3,636,615	3,415,425
	<hr/> 1,268,960	<hr/> 188,649
Interest	308,482	330,362
	<hr/> 960,478	<hr/> (141,713)
Depreciation, depletion and amortization	947,965	1,241,691
Net profit (loss)	<hr/> \$ 12,513	<hr/> (\$1,383,404)

The provisions for depreciation, depletion and amortization of the Jedway property were based on estimated mineable ore reserves.

The Granby Mining Company Limited holds a 5¾% First Mortgage Demand Debenture for \$1,900,000. It is anticipated that \$1,000,000 will be paid on this debenture in 1967 and accordingly, this amount is included in current liabilities.

It is expected that the holders of the 6% Second Mortgage bonds will extend the maturity date of their bonds from July 31, 1967 to July 31, 1969.

4. Depreciation, depletion and amortization:

Depletion of the Phoenix mine and depreciation of its buildings and equipment have been calculated at 15% of the written down value of these assets at December 31, 1965, plus additions since then at cost. Depreciation of the mobile equipment has been calculated at the income tax rate of 30% on the diminishing balance method. The balance of the pre-productive expenditure was amortized during 1966.

5. Bank loan:

The bank loan of \$800,000 U. S. is repayable in two equal instalments of \$400,000 U. S. on June 1, 1967 and 1968. The amount due on June 1, 1967 of \$400,000 U. S. has been included in current liabilities at December 31, 1966. The bank loan is secured by the hypothecation to the bank of the \$1,900,000 5¾% First Mortgage Demand Debenture of Jedway Iron Ore Limited.

6. Capital stock:

Under the company's "Restricted Stock Option Plan, dated January 13, 1960", 46,000 shares of The Granby Mining Company Limited stock were reserved for the granting of options to employees, the purchase price per share being 10% above the market value at the date the options were granted. At December 31, 1965, there were 9,500 shares issuable under outstanding options at varying prices from \$17.60 U. S. to \$19.525 U. S. per share; during 1966 no new options were granted, and three employees exercised their options to acquire in the aggregate 1,000 shares, leaving 8,500 shares issuable under outstanding options at Decem-

**THE GRANBY MINING COMPANY LIMITED
AND WHOLLY-OWNED SUBSIDIARY COMPANIES**

**Notes to Consolidated Financial Statements, continued
December 31, 1966**

6. Capital Stock: (Continued)

ber 31, 1966. The options are for a term of ten years from the date they were granted, and there are certain limitations on the number of shares that can be acquired in the first five years. At December 31, 1965 and December 31, 1966, unallocated shares under the plan totalled 17,600 shares.

7. Administration:

Remuneration of directors, including salaries as executive officers, amounted to \$94,162. In addition, the remuneration received by the directors from the majority-owned subsidiaries amounted to \$7,200.

8. Income taxes:

The company will be claiming more depreciation for income tax purposes than that recorded in the accounts and accordingly income taxes otherwise payable for the year have been reduced by approximately \$30,000. At December 31, 1966 the cumulative amount of income taxes that have been deferred by claiming more depreciation for tax purposes than that recorded in the accounts amounted to approximately \$80,000.

9. Current assets and current liabilities in United States dollars have been converted into Canadian dollars at the approximate rate of exchange prevailing at December 31, 1966. Non-current liabilities in United States dollars have been converted at rates prevailing when the funds were received.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of The Granby Mining Company Limited and its subsidiary companies as of December 31, 1966 and the consolidated statements of income and contributed and earned surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income and contributed and earned surplus present fairly the financial position of the companies on a consolidated basis at December 31, 1966 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying statement of consolidated source and application of funds presents fairly the information shown therein.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

Vancouver, British Columbia
February 10, 1967

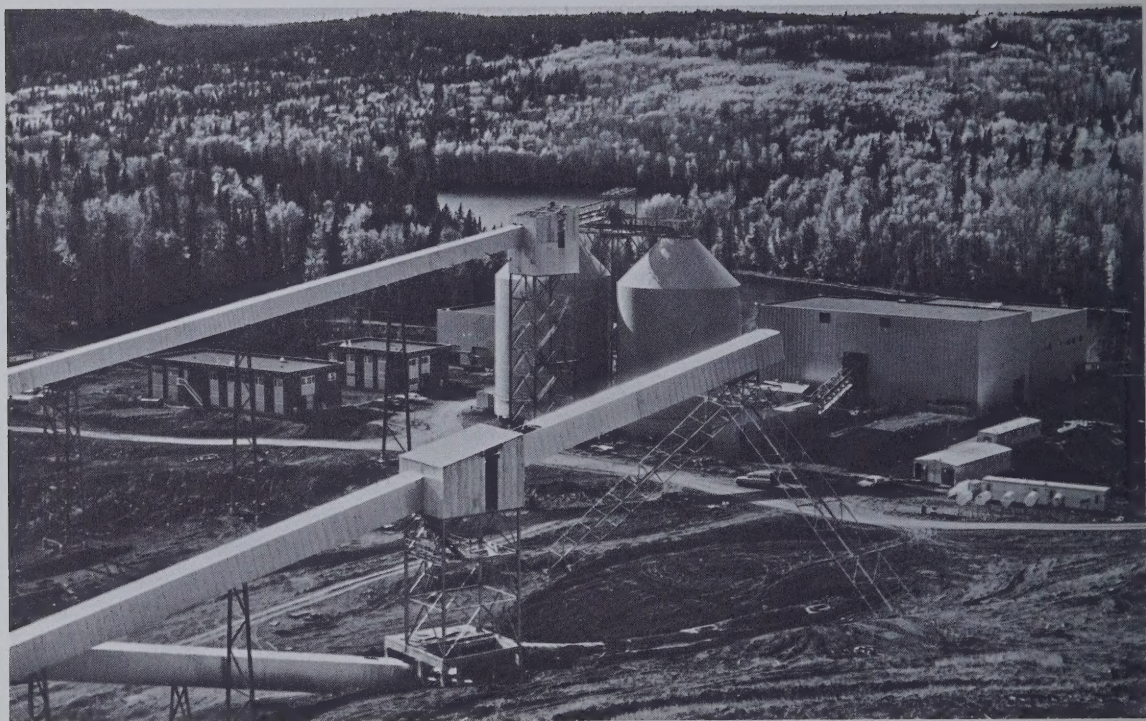
**THE GRANBY MINING COMPANY LIMITED
AND WHOLLY-OWNED SUBSIDIARY COMPANIES**

Statement of Consolidated Source and Application of Funds

Year ended December 31, 1966

(With comparative figures for 1965)

	<u>1966</u>	<u>1965</u>
Funds provided by:		
Operations:		
Net profit for the year	\$1,336,397	\$1,814,116
Add charges (net) not requiring cash expenditure:		
Depreciation, depletion and amortization	463,225	487,426
Gain on sale of shares in Granisle Copper Limited	—	(984,000)
Sundry	(14,538)	(3,534)
Funds provided by operations	<u>1,785,084</u>	<u>1,314,008</u>
Jedway Iron Ore Limited, 5¾% First Mortgage Demand Debenture:		
Received during the year	100,000	—
Portion due within one year	1,000,000	—
Sale of investments in majority-owned subsidiaries	—	1,200,000
Proceeds from repayment of sundry assets and issue of capital stock	22,444	56,062
Total funds provided	<u>2,907,528</u>	<u>2,570,070</u>
Funds applied to:		
Additions to mineral claims, real estate, buildings, plant and equipment, net	420,508	552,968
Reduction of bank loan	432,996	429,008
Dividends paid	384,587	253,391
Advances to Granisle Copper Limited	900,000	—
Special refundable tax	44,645	—
Total funds applied	<u>2,182,736</u>	<u>1,235,367</u>
Increase in working capital	724,792	1,334,703
Working capital at beginning of year	2,192,118	857,415
Working capital at end of year	<u>\$2,916,910</u>	<u>\$2,192,118</u>
Working capital:		
Current assets	\$4,331,886	\$3,124,325
Current liabilities	1,414,976	932,207
Working capital at end of year	<u>\$2,916,910</u>	<u>\$2,192,118</u>



Granisle Plant and Grinding Mills.

